



BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board
Pete T. Cenarrusa, Secretary of State
Alan G. Lance, Attorney General
J. D. Williams, State Controller
Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting August 20, 2002

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, August 20, 2002 in Boise, Idaho. The meeting began at 9:30 a.m. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Pete T. Cenarrusa
Honorable Attorney General Alan G. Lance
Honorable Controller J. D. Williams
Honorable Superintendent of Public Instruction Marilyn Howard

Secretary to the Board Winston A Wiggins

• **CONSENT AGENDA**

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Attorney General Lance to approve the Consent Agenda with Item # 2 being amended as indicated and Item # 3 being moved from the Consent Agenda to the Regular Agenda. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 5-0.

1. Director's Report – approved

- A. Interest Rate on Departmental Transactions – July 2002, August 2002
- B. Bureau of Surface and Mineral Resources, Minerals Section, Official Transactions – June 2002, July 2002
- C. Bureau of Real Estate, Land Sale Section, Official Transactions – July 2002
- D. Bureau of Real Estate, Easement Section, Official Transactions – July 2002
- E. Bureau of Surface and Mineral Resources, Range Management and Surface Leasing Section, Official Transactions – July 2002
- F. Timber Sale Official Transactions – June 21, 2002 through August 6, 2002
- G. Timber Sale Activity Report
- H. Fire Report

Fire Report Update: Director Wiggins provided an update for the Fire Report. On Sunday afternoon, August 18, 2002, a fire broke out near Hope, Idaho, on the upper side of Pend Oreille Lake. As of the afternoon of July 19, 2002, about 250 acres was involved. This is a joint jurisdiction fire. The fire began on state jurisdiction and moved onto Forest Service jurisdiction. The cost will be split depending on the final outcome, which will show the number of acres for each side. An agreement will be negotiated. The best estimate at this point is that the state obligation associated with that fire alone will be in the neighborhood of \$500,000. The fire occurred in rugged terrain and there are a number of homes in the vicinity. Substantial amounts of retardant have been used on the fire and the retardant cost is high.

DISCUSSION: Governor Kempthorne asked about the prognosis for containment of the fire. Director Wiggins stated there is some fairly dangerous line that has to be built below the fire, which is a hazardous situation. Depending on weather conditions, the prognosis looks good for catching the fire without too much additional growth. It is a human-caused fire and the fire is under investigation.

Director Wiggins added there is a net obligation of \$300,000 to the general fund, which does not include the \$500,000 estimated for the Hope fire. Additionally, the department has a \$500,000 holdover obligation from last year for bills that came in after the Legislature acted. Director Wiggins stated he will continue to keep the Governor's office, board staff and the Legislative Services Office updated on costs as available.

2. Authorization for Robert Maynard to Consult with the Endowment Fund Investment Board – approved as amended

DEPARTMENT RECOMMENDATION: That the board approve the request and ratify Governor Kempthorne's signature on the subject letter.

DISCUSSION: Deputy Attorney General Terry Coffin stated that this letter was approved by the Public Employees Retirement System of Idaho (PERSI) Board on July 22, 2002, subject to receipt of the signed letter from this agenda item. It would be appropriate to consider approval of this letter retroactive to the date of the PERSI Board's approval.

Governor Kempthorne asked Attorney General Lance if he wished to amend his motion. Attorney General Lance stated he would move the adoption of the Consent Agenda, with the exception of Item #3 and specifically retroactively authorizing the action contemplated in Item #2.

BOARD ACTION: Attorney General Lance moved that this item be approved as amended under the Consent Agenda retroactive to the date of the PERSI Board's approval. No objection was voiced.

3. Endowment Fund Performance Report – Staffed by Bob Maynard, PERSI – moved to Regular Agenda

Robert Maynard is the Chief Investment Officer for the Public Employees Retirement System of Idaho.

Mr. Maynard. Mr. Maynard discussed fiscal year-to-date numbers and provided a performance report for the Land Board. The Endowment Fund Investment Board's underlying asset allocation is 70% equities, 30% fixed income. Due to the market drop in the last few months, the asset allocation is overweighted toward fixed income and stands at 37% fixed income, 63% equities. The EFIB will discuss the asset allocation at their next meeting. EFIB policy states that the portfolio will be rebalanced at least once per year. The last rebalance occurred in November 2001.

From July 1, 2002 until today the market has been disastrous but has been coming back recently. Two major events occurred. One event is an indication that the economy is softening. Even as the markets have been declining, there was a sense that the economy and the consumer was continuing to spend at a good rate. The leading economic indicators are down, although not down as much as expected. The second major event was the SEC requiring CEOs to do a one-time certification of financial assets. There were rumors of big bombshell disclosures. As it turned out, on August 14, 2002 there were no major bombshells and the market has been stabilizing at a lower level.

DISCUSSION: Attorney General Lance commented that Mr. Maynard indicated his report figures were before the cost of timber sales. In a future report, Attorney General Lance requested that the operational cost percentage be included in the report.

BOARD ACTION: A motion was made by Attorney General Lance to accept the Endowment Fund Performance Report. Controller Williams seconded the motion. The motion carried on a vote of 5-0.

4. Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved

A. Cedar Trail	CR-3-0482	4,200 MBF
B. Cranberry Flat Pulp	CR-4-0727	6,400 MBF
C. Schmidt Divide Pulp	CR-4-0740	6,800 MBF

5. Conceptual Approval for State/L. G. Davison Land Exchange – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: That the board direct the department to complete a balanced land exchange package and, once developed, return it to the Land Board for final approval.

BOARD ACTION: Approved.

6. Riverbed Mineral Lease Renewal on the Salmon River (Mahurin) – Staffed by Scott Nichols, Chief, Bureau of Surface and Mineral Resources – approved

DEPARTMENT RECOMMENDATION: That the board approve the lease renewal with the specified terms and stipulations.

DISCUSSION: Controller Williams stated he has always had a hesitancy approving items like this, but this particular item has been very well staffed. Based on the facts, Controller Williams stated he has no trouble supporting this lease renewal.

BOARD ACTION: Approved.

7. Minutes – approved

- A. Special Meeting – June 28, 2002
- B. Regular Meeting – July 9, 2002

• REGULAR AGENDA

Refer to Agenda Item # 3.

• INFORMATION AGENDA

Director Wiggins briefed the board on the Information Agenda item. No Land Board action is required on the Information Agenda.

8. Idaho State Board of Education Exchange Status

DISCUSSION: Attorney General Lance commended Deputy Attorney General Sherman Furey, Director Wiggins and staff for their efforts to complete this exchange within a short timeframe. Governor Kempthorne concurred.

- A motion was made by Attorney General Lance to resolve into Executive Session at 10:00 a.m. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 5-0.

- **EXECUTIVE SESSION**

A. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [Idaho Code § 67-2345(1)(f)]

B. To Consider Personnel Matters [Idaho Code § 67-2345(1)(b)]

- A motion was made by Attorney General Lance to resolve into Regular Session at 10:40 a.m. Controller Williams seconded the motion. The motion carried on a vote of 5-0. No actions were taken by the board during the Executive Session.

There being no further business to come before the board, the meeting adjourned at 10:40 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Pete T. Cenarrusa

Pete T. Cenarrusa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the September 10, 2002 regular Land Board meeting.